

The six most frequent tax errors made by new entrepreneurs

1. Wrong legal structure

Many young companies start out as a GmbH.

Disadvantage: the company is liable to pay wage tax for the director's salary, although the young company may not yet be making a profit.

2. Excessively low advance tax payments

Following the establishment of the company, it usually takes two years before the first income tax assessment is produced by the tax office. If the advance tax payments have been too low, the back payments of income tax for two to three years can place the company in serious financial difficulties. It therefore makes sense to make a voluntary upward adjustment of the advance tax payments.

3. A lack of contracts

The whole family often works hard to support the new venture. If this is done without an employment contract and salary, the family is giving taxes away. This is because each family member, from the great-grandfather to the newborn baby, has a whole range of personal income tax allowances which are often left unused. Also, family members often lend money or provide space. It generally makes sense in terms of taxation to conclude loan or rental agreements in such cases.

4. Wrong timing of turnover tax

In the initial phase, many new entrepreneurs keep applying for an extension to the deadline for the prepayment of turnover tax. The reimbursement of prepaid turnover tax which is possible at the same time then only comes a month later.

5. Errors in turnover tax

The deduction of prepaid turnover tax is not accepted by the tax office due to a failure to keep proper documentation (e.g. value-added tax is not listed separately on invoices for purchased goods). This is equivalent to giving away cash.

6. Bookkeeping deficiencies

Bookkeeping deficiencies (false allocation to accounts, entry in accounts of erroneous invoices lacking value-added tax, time delays in bookkeeping, etc.) mean that in many cases too little turnover tax is paid, or the tax is paid too late. And many firms are unable to provide the tax office with meaningful documentation in the case of applications to reduce advance tax payments.